

RUN your business

PLAN



START



OPEN



GROW



CLOSE





Run your business

When your business is up and running, there are certain things you need to do to meet regulatory and tax requirements. These activities vary based on your business activity, the business size, and whether or not you have employees.

1

Federal business income taxes

Federal income tax for businesses is based on net profit (your revenue minus your expenses). With [sole proprietorships](#), [partnerships](#), most LLCs, and [S-corporations](#), tax on business income is paid by the owners through their personal tax returns. This is called “pass-through taxation.” Owners are generally required to make quarterly estimated tax payments during the tax year using Internal Revenue Service (IRS) [Form 1040-ES](#). These payments are due April 15, June 15, September 15 and January 15.

If you’re a working owner of an S-corporation, you are also an employee who receives standard paychecks. You may not need to make estimated tax payments if you have enough income tax withheld from your paycheck.

[Standard corporations](#) are generally required to make quarterly estimated tax payments on the 15th day of the 4th, 6th, 9th, and 12th months of each fiscal year. If you want your corporation to be treated as an [S-corporation](#), complete [Form 2553 – Election by a Small Business Corporation](#) within 75 days of forming your business or within 75 days of the beginning of a tax year (see [Form 2553 Instructions](#)).

[Limited Liability Companies \(LLCs\)](#) are taxed like sole proprietorships if there is only one owner. If there is more than one owner, LLCs are taxed like partnerships. However, LLCs can elect to be treated as standard or S-corporations for federal tax purposes by filing an IRS [Form 8832](#). Consult your tax professional for more information.

Business structure	Required form	Due date(s)
Sole proprietorships and single owner LLCs	1040 Schedule C , 1040 SE (self-employment tax) , 1040 ES (estimated tax)	File by April 15 (as part of the owner's personal tax return). Estimated tax is due April 15, June 15, September 15, and January 15.
Partnerships and multiple owner LLCs	Form 1065 plus 1065 K-1 forms for each owner , 1040 SE (self-employment tax) , 1040 ES (estimated tax)	Businesses using the calendar year must file by April 15. Businesses using a fiscal year must file by the 15th of the 4th month after the end of a fiscal year. Estimated tax is due April 15, June 15, September 15, and January 15.
Standard corporations (or LLCs that have formally elected to file as standard corporations)	Form 1120 (plus withholding from owner's paycheck for income taxes, Social Security and Medicare)	Businesses using a calendar year must file by March 15. Businesses using a fiscal year must file by the 15th of the third month after the end of a fiscal year.
S-corporations (or LLCs that have formally elected to file as S-corporations)	Form 1120-S and 1120 K-1 forms for each owner (plus withholding from each owners' paycheck for income taxes, Social Security and Medicare)	Businesses using a calendar year must file by March 15. Businesses using a fiscal year must file by the 15th of the third month after the end of a fiscal year.



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State business taxes

Washington State does not have a personal or business income tax. Instead, its tax structure includes the Business & Occupation Tax, sales and use taxes, property taxes, and a variety of industry-specific taxes. The Washington [Department of Revenue](#) (DOR) administers over 60 different taxes.

Most small businesses need to [file an excise tax return](#) with DOR. Your tax [filing frequency](#), assigned after you submit your Business License Application, is based on an estimate of the amount of tax you will owe. If you are assigned a monthly or quarterly filing frequency, then you are required to file your taxes electronically using [E-file](#), DOR's online filing system, and pay electronically using one of several payment options. For assistance with E-file registration and filing, call 1-877-345-3353. If you are unable to file electronically, you can request a [waiver](#). State taxes include:

- [Business and Occupation \(B&O\) tax](#) – This is a tax on the business's gross revenue. In addition to the state B&O tax, many cities and towns also impose local B&O taxes (see below).
- [Sales tax](#) – Businesses collect sales taxes from customers on the sale of most retail products, construction activities, and some services.
- [Use tax](#) – Use sales tax applies when businesses make purchases without paying sales tax, such as internet purchases or purchases made in Oregon.
- [Real and Personal Property Taxes](#) – Businesses pay a property tax based on the value of real estate, buildings and other structures, furnishings, equipment and other assets. Property tax is collected by counties rather than by DOR.
- [Industry-specific taxes](#) – There are a variety of taxes that apply to specific industries, such as hotel/motel, rental cars, cigarettes, etc. Click the heading to see if any specific taxes apply to your business.

Because sales tax is [destination-based](#), businesses that collect sales tax must charge the tax rate of the location where the product or service was delivered. DOR has a [look-up tool](#) to determine tax rates and the location code.

DOR provides New Business Tax Workshops throughout the state during the year. Below are links to additional information and tools provided by DOR to assist in tax calculation and reporting:

- [Business Tax Guide](#)
- [New Business Tax Workshops Schedule](#)
- [New Business Tax Workshop Guide](#)
- [Common tax classifications](#)
- [Industry specific guides](#)
- [Tax incentives & specialized credits](#)
- [Reseller permits](#)
- [Look up a sales tax rate](#)
- [Send us your general tax questions](#)
- [Request a tax ruling](#)
- [Unclaimed property](#)
- [Update business information](#)

Consult your tax professional for further information. DOR cannot discuss confidential tax account information with a tax representative/preparer until you complete a [Confidential Tax Information Authorization](#) form.

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Local business taxes

Cities & towns

Most cities and towns have a local sales tax and a local business & occupation (B&O) tax. DOR collects sales tax for local communities, but cities and towns collect their own local B&O. Depending on the amount of money your business makes, your local B&O tax may be due quarterly or annually. Contact the [cities and towns](#) where you do business for more information.

Counties

Counties are responsible for assessing and levying property tax on both real property and personal property. While the title “personal property” may not imply as such, it includes business furnishings, fixtures, equipment, supplies and other assets.

Personal property tax

Most people know that [property tax](#) applies to real property; however, some may not know that property tax also applies to personal property. Most personal property owned by individuals is exempt. For example, household goods and personal effects are not subject to



property tax. However, if these items are used in a business, property tax applies. Personal property tax does not apply to business inventories, or intangible property such as copyrights and trademarks.

Personal property is subject to the same levy rate as real property. The characteristic that distinguishes real and personal property is mobility. Real property includes land, structures, improvements to land, and certain equipment affixed to land or structures. Personal property includes machinery, equipment, furniture, and supplies of businesses and farmers. It also includes any improvements made to land leased from the government (leasehold improvements).

Property taxes are due April 31 and October 31 of each year. Contact the [counties](#) where you do business for more information.

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Federal employment taxes

- For instructions related to federal employment taxes, refer to the IRS [Employer's Tax Guide](#). Employers are responsible for collecting employee income, social security, and medicare taxes, plus paying the employer share of social security and medicare taxes (6.2% and 1.45% of wages respectively). When and how you have to pay that money to the IRS depends on the amount of taxes being collected.
- Quarterly [941 Forms](#) report gross wages and federal taxes (income, social security and medicare). They are due to the IRS by April 30, July 31, October 31 and January 31 for the preceding calendar quarters.
- [W-2 Forms](#) report wages and withholdings for the calendar year. They must be provided to each employee by January 31 of the following year.
- [W-2 Forms](#) and the accompanying [W-3](#) transmittal form are due to the Social Security Administration by February 28 of the following year.
- Annual [940 Forms](#) report federal unemployment taxes. They are due to the IRS by January 31 for the preceding calendar year. The tax rate for most employers is 0.8% of the first \$7,000 each worker earns, up to a maximum of \$56 per employee. The actual rate is 6.2 percent, but employers who pay state unemployment taxes receive a 5.4 percent reduction, resulting in the 0.8 percent rate. For very small employers, these payments may be made at the time of annual filing, but larger employers are required to make payments quarterly. See the IRS [Employer's Tax Guide](#) for more information.

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State employment taxes

- [Unemployment taxes](#) are due quarterly to the Department of Employment Security (ESD). Reporting and payment is generally done on-line. Due dates are April 30, July 31, October 31 and January 31 for the preceding calendar quarters. Taxes are calculated based on the [rate](#) provided to your business by ESD, multiplied by each employee's wages up to [annual maximum](#). Additional information about Unemployment Insurance taxes and benefits is available through the [ESD website](#).
 - If you are facing a temporary decline in business, the [Shared-Work Program](#) offers you an alternative to laying off workers. Instead, you can reduce the work hours of your permanent employees, and the workers can collect partial unemployment benefits to replace a portion of their lost wages. This translates into immediate payroll savings and prevents the loss of your skilled employees.
- [Workers' compensation premiums](#) are due quarterly to the Department of Labor & Industries (L&I). Reporting and payment is generally done on-line. Due dates are April 30, July 31, October 31 and January 31 for the preceding calendar quarters. Premiums are calculated based the risk classification rate(s) provided to your business by L&I, multiplied by the hours worked by employees in that risk classification. Employers can deduct from employees' pay a portion of the premium amount, as shown on the rate notice received from L&I. Additional information about Workers' Compensation is available through free [Employer's Introduction to L&I Workshops](#).

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License and permit renewals, corporation, LLC, and LP annual filings

- Corporations, limited liability companies, and limited partnerships must file an annual report. Profit corporations and limited liability companies file annual reports with the [Business Licensing Service](#). Nonprofit corporations and limited partnerships file their annual reports with the [Secretary of State](#).
- Your state's business license does not need to be renewed. However, many [specialty licenses](#), [local licenses](#) and professional licenses do require annual renewal. Keep track of your renewal dates to ensure your licenses are current and to avoid extra fees.
- Renewal of [contractor registration](#) is required every two years, and cost \$113.40. You renew your registration with L&I. L&I also renews specialty licenses related to trades (such as [electrical](#), [plumber](#), etc.).



- [Health provider license and facility renewals](#).
- If you are now doing business in cities and towns where you weren't licensed previously, you will need to get additional local licenses. "Doing business" can include sales, delivery, installation, or service. Contact the [cities or towns](#) for further information.

7

Regulatory Compliance

There are many regulations that businesses must comply with on an on-going basis or otherwise face potential citations and penalties that can prove challenging and costly. Below is a basic listing of some of the agencies and regulations not addressed previously in this chapter. Be aware that the list isn't fully comprehensive. You should seek advice from your attorney, [industry or business association](#), and other advisors to ensure you are in compliance with all applicable regulations. Agencies want to help you understand your responsibilities, so please ask for their assistance.

Federal

- [Consumer Product Safety Commission](#) – Regulates product standards, etc.
- [Department of Labor](#) – Regulates federal minimum wage, overtime requirements, and equal employment opportunity, etc.

State

- [Department of Agriculture](#) – Regulates food safety, product labeling, pesticides, crops and livestock, etc.
- [Office of the Attorney General](#) – Oversees consumer protection, etc.
- [Department of Ecology](#) – Regulates waste, pollutants, and water rights, etc.
- [Department of Financial Institutions](#) – Regulates franchise requirements, business investments, and business loans, etc.
- [Human Rights Commission](#) – Regulates public accommodations and non-discrimination, etc.
- [Department of Labor and Industries](#) – Regulates [workplace safety](#), [workers' compensation](#), and [employment regulations](#), etc.
- [Liquor Control Board](#) – Issues liquor licenses. Educates and enforces laws and regulations on productions, sale, and serving of alcohol.

- [Department of Natural Resources](#) – Regulates forest practices, surface mining, etc.
- [Office for Regulatory Innovation and Assistance](#) – Helps businesses and citizens navigate complex permitting and licensing requirements.
- [Utilities and Transportation Commission](#) – Regulates taxi and limousine services, moving and trucking services, etc.
- [Washington's Lottery](#) – Regulates sale of lottery products to Lottery retailers. Reviews Lottery retailers' accessibility for people with disabilities.

Local

- [County health departments](#) – Regulate food establishments, hazardous materials, environmental health, etc.
- [County assessors](#) – Provide valuations of business real estate, equipment, furnishings and other assets for property tax purposes.
- [Cities](#) – Regulate zoning, signage, parking, and issues building and business permits, etc.
- [Fire departments](#) – Regulate fire code.
- [City of Seattle](#) – Has paid sick leave requirement.

8

Prepare for the unexpected

- The Department of Health provides a wide range of resources to help you prepare for public health emergencies including bioterrorism events, disease outbreaks and natural disasters. You can find fact sheets, links and additional information at the [Department of Health](#) website.
- Being part of an [industry or business association](#) can provide you a network of colleagues and opportunities for specialized training to help you deal with the unexpected.
- Unexpected events, such as fires, floods, storms and earthquakes, could damage or destroy your records, damage critical equipment, or close your business for a period of time. Establishing a business continuity plan in advance will help you get your business up and running more quickly.
 - [Get prepared for disasters.](#)
 - [Tools, templates, and in-depth information on developing a business continuity plan.](#)
 - [Public health emergency.](#)



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Need assistance?

State of Washington [Small Business Liaisons](#) can help you get the information and resources you need. Also, help us improve the Small Business Guide by filling out a short, confidential [survey](#).